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MEMORANDUM
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TO: Docket Control 2006 NOV 17 A 9 31
FROM: Ernest G. Johnson
Director
Utilities Division
for

Arizona Corporation Commission
DOCKETED

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DATE: November 17, 2006

RE: TONTO VILLAGE WATER COMPANY, INC. REQUEST FOR AN EXTENSION OF TIME TO COMPLY WITH DECISION NO. 68066, DOCKET NO. W-01580A-04-0672

On July 10, 2006, Tonto Village Water Co., Inc. (the "Company") filed a request for an extension of time to comply with certain due dates set forth in Decision No. 68066.

As part of the Decision the Arizona Corporation Commission (the "Commission") required the following:

"IT IS FURTHER ORDERED that Tonto Village Water Company, Inc. shall immediately fix the leakage found on the pressure tank and the 34,000 gallon storage tank at Well site No. 2, and file documentation with Docket control within 30 days of this Decision showing that the leakage has been repaired.

"IT IS FURTHER ORDERED that Tonto Village Water Company, Inc. shall install its planned new water source by June 30, 2006 and file a copy of its ADEQ Approval of Construction with Docket Control by June 30, 2006.

On July 10, 2006, the Company filed documentation showing that the leakage found on the pressure and storage tanks had been fixed and that it had complied with the first ordering paragraph listed above. In addition, at the same time, the Company requested a one year extension of the requirement that it install its planned new water source and copy of its ADEQ Approval of Construction by June 30, 2006. The Company requested that the due date be June 30, 2007.

In support of its request for an extension the Company indicated that it could not comply because of a lack of financial resources. The Company plans to approach WIFA to arrange financing and also plans to file a rate application using a 2006 test year to repay the WIFA loan. Staff recently contacted Ron Standage, President and Manager of Tonto Village Water Company, Inc., to learn what actions the Company had taken to comply since filing its request for an extension this past July. Mr. Standage indicated that very little action had been taken and that the requested extension to June 30, 2007 would no longer be a sufficient amount of time to obtain the rate relief needed and to complete the required work. Mr. Standage indicated however

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that he believed he would be prepared to file a rate application early next year and that the planned new water source could be installed within three months of the Commission's decision in the planned rate proceeding.

Therefore, Staff recommends that the Company be required to file a rate application, using a 2006 test year, no later than March 31, 2007. Staff further recommends that at the same time the Company files its rate application it should also file its financing application to obtain Commission approval for a WIFA loan to pay for the planned new water source. Staff further recommends that the Company be granted an extension of time until April 30, 2008, to install the planned new water source and file a copy of its ADEQ Approval of Construction with Docket Control. Staff further recommends that no more time extensions should be granted on this issue.

EGJ:DMH:tdp

Originator: Dorothy Hains